

【Fundamentals Navigator】

Japan trade data (Feb 2021): Recovery continues despite export YoY decline

(original Japanese report issued on March 17, 2021)

China-bound exports steady on strong capital goods, US weak but should benefit from direct payouts

Exports fell 4.5% YoY in monetary terms in February, the first decline in three months. Still, we believe the underlying recovery remains in force. Exports to China slowed to a 3.4% gain (January: +37.5%) due to the timing of the Lunar New Year, but the average for Jan-Feb remained solid with a 18.4% YoY rise (December: +10.2%), bolstered by capital goods shipments. Exports to the US tumbled 14.0% (January: -4.8%) on the weakness in passenger cars, a key product, but this should turn around with the planned third round of direct stimulus payments to households. Meanwhile, import values jumped 11.8% (January: -9.5%). We consider this to be largely owing to the dropout of the plunge in imports from China in February 2020, and see no change in the slow but steady recovery trend.

- (1) **Overview:** Exports fell 4.5% YoY in monetary terms in February (January: +6.4%) for the first decline in three months. In contrast, imports jumped 11.8% (-9.5%) for the first upturn since April 2019. We believe growth was distorted by factors such as the timing of the Lunar New Year holiday and see no undue change in the fundamentals. The trade surplus came to JPY217.4bn, well below February last year. The seasonally adjusted figure was a small trade deficit.
- (2) **Exports to China:** Up 3.4% YoY (January: +37.5%) in monetary terms. This was well below the previous month, but the figure was affected by the late appearance of this year's Lunar New Year (24 January 2020 vs. 11 February 2021). The average for Jan-Feb was a solid 18.4% YoY rise (December: +10.2%). The Jan-Feb average for general machinery accelerated to 25.1% (23% of exports to China, December +6.0%) and electrical machinery to 13.5% (21%, +8.1%) on the contribution of semiconductor production equipment and heavy machinery. Transportation equipment was up 6.2% (10%, +6.3%) as automobiles slowed.
- (3) **Exports to US:** Down 14.0% YoY (January: -4.8%) in monetary terms. The figure was hurt by a 20.7% drop in transportation equipment (34% of exports to US, January -6.7%), including a 20.2% falloff in passenger cars (January: +0.0%). Local car sales were sluggish in the face of the severe cold snap during the month. General machinery also fell a greater 13.9% (23%, -7.9%). Construction and mining equipment remained firm, but semiconductor production equipment was weak.
- (4) **Exports to EU:** Down 3.3% YoY (January: -1.6%) in monetary terms. The decline in transportation equipment worsened to 13.8% (24% of exports to EU, January -13.1%) on poor local car sales. General machinery improved somewhat to a 4.1% decline (22%, -6.2%), underpinned by

**Preliminary results
(Bloomberg market forecasts)**

Exports: -4.5% YoY
(Market forecast: -0.2% YoY)
Export volume index: -4.3% YoY
Export price index: -0.2% YoY

Imports: +11.8% YoY
(Market forecast: +12.0% YoY)
Import volume index: +22.0% YoY
Import price index: -8.4% YoY

Trade balance:
JPY217.4bn surplus
(Market forecast: JPY420.0bn surplus);
vs. JPY1,113bn (surplus) a year earlier

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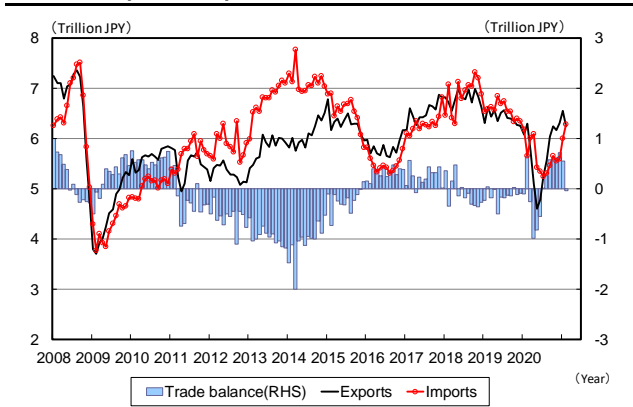
computing equipment.

(5) **Imports:** Imports from China surged 114.5% YoY (25% of imports, January -1.0%), in reaction to the plunge in February last year when economic activity stalled. Mineral fuels fell a less dire 9.1% (20%, -27.0%). LNG imports rose 15.9% (January: -7.2%) for the first positive growth since April 2019, on higher prices and greater demand for electricity generation. Imports with high ratios of Chinese products (computers, telecom equipment, textile yarn/fabrics and clothing/accessories [e.g., masks]) all posted strong YoY gains, but masks in particular have clearly leveled off.

(6) **Real exports/imports:** Our price-adjusted real export estimate for Jan-Feb (average) was up 1.5% over the average for 4Q 2020. We believe the uptrend in capital goods will continue apace and expect auto exports to the US to benefit from the third round of direct payments to households in the recent stimulus package. We estimate that real imports rose 1.8% amid a slow but steady recovery..

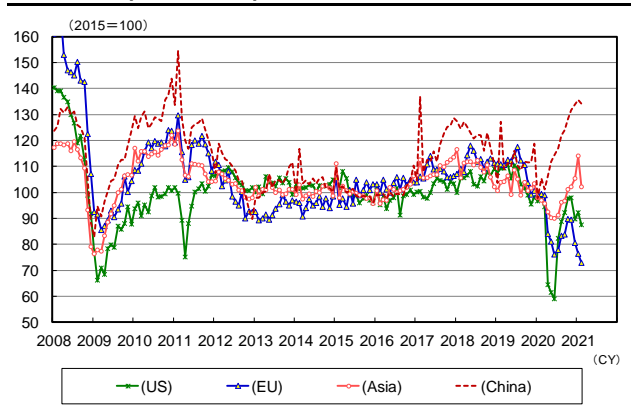
Trade balance (seasonally adjusted):
JPY -38.7bn surplus
(Market forecast: JPY-119.0bn surplus)
vs. JPY551.1bn surplus last month

Figure 1. Exports, imports, and trade balance (JPY trn)



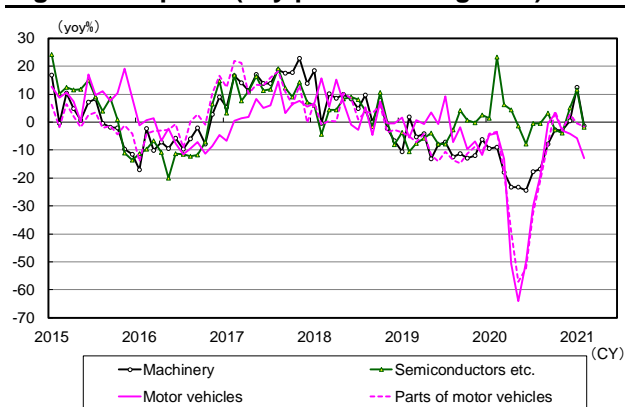
Note: SA
 Source: MUMSS, from MoF Trade Statistics

Figure 2. Export volume index by destination (2015=100)



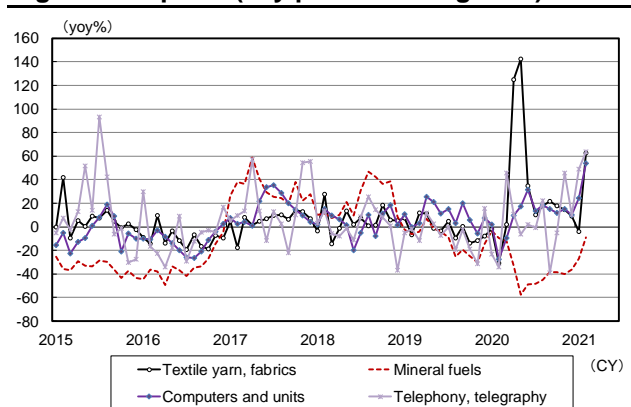
Note: SA by MUMSS
 Source: MUMSS, from MoF Trade Statistics

Figure 3. Exports (key product categories)



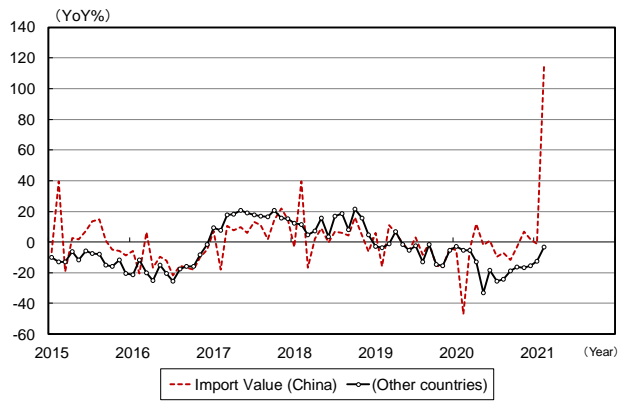
Source: MUMSS, from MoF Trade Statistics

Figure 4. Imports (key product categories)



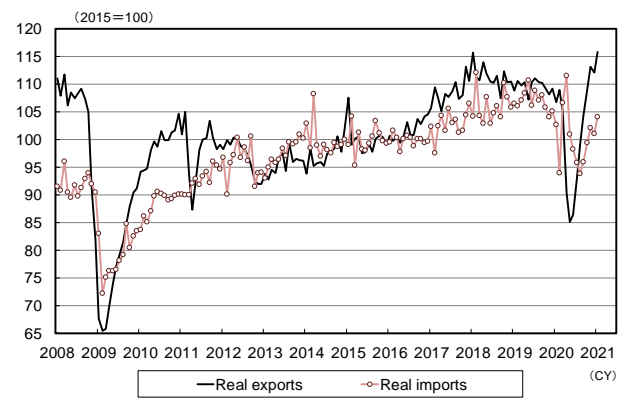
Source: MUMSS, from MoF Trade Statistics

Figure 5. Imports by destination



Source: MUMSS, from MoF Trade Statistics

Figure 6. Real exports and imports



Note: SA

Source: MUMSS, from MoF Trade Statistics and BoJ Corporate Goods Price Index

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Appendix A

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